

ORAL PRESENTATION

OPENING REMARKS

Mr. Chairman: I am most appreciative of this opportunity to appear before this committee to present my views on the vitally important subject of supplemental retirement as applicable to Agency personnel.

It is of vital importance to me that in your efforts to develop proposals for a new retirement system, that the CIA's unique requirements are fully understood and accommodated to preclude any impairment of our capabilities to sustain and enhance the fulfillment of our critical intelligence mission.

In view of the critical significance of your decisions on this matter and to provide you with a better understanding of the Agency's requirements, I have provided the committee with a rather detailed written statement for the record which I believe will be helpful to you in evaluation of my views on CIA's requirements.

I will, therefore, confine my oral presentation to pertinent summarizations from my written statement following which I will be happy to respond to any questions that may arise. I wish to further add that the CIA stands ready to meet and work further with your committee on this important issue.

ORAL STATEMENT

The special nature of the mission of the CIA and the ever increasing demands of the environment in which intelligence work--both overseas and domestically--is carried out, prescribe that the management, composition, and characteristics of the total Agency work force are unique and distinct from that found elsewhere in Government.

These realities dictate that in the CIA, while we are certainly not indifferent to the need for decent employee benefits, our retirement systems must function as the single most critical management element in the Agency's personnel management system in maintaining the most effective work force possible in achieving the Agency's intelligence mission.

The most critical characteristics of the Agency's overall work force relative to sustaining its effectiveness are: it must be relatively young, vigorous, and highly competent; retained for full careers of 20 to 30 years and; moved into retirement after serving their most productive years and before continued employment becomes detrimental to the best national security interest of our country.

In order to maintain the needed characteristics of the Agency employee cadre, the most critical requirement is that the CIA's retirement program continue to provide early retirement eligibility without penalty reductions as now provided under the current CIARD System (50 years with 20 years of service) and age 55 with 30 years of service for our non-CIARDS people.

Collaterally, the utility of early retirement eligibility requires continuation of annuity accruals at levels sufficient to make early retirement feasible at the points in time when Agency requirements indicate that employees should leave our service.

I believe the written statement for the record that I have provided you presents a relatively complete picture of the intelligence work-world of the 1980's--a world much more complicated and demanding for intelligence professionals and managers than what we encountered in earlier decades.

I do not believe it necessary to repeat the many factors which establish the basis and rationale for the type and structure the CIA requires in its current and new supplemental retirement systems in order to maintain the quality work-force so essential is performing our critical intelligence mission.

I would like, therefore, to briefly outline my position on the primary features the CIA requires in a supplemental retirement applicable to CIA personnel.

1. Utility of the New System

-- CIA requires a supplemental retirement system with provisions that will permit use of the system, as with the current retirement system, as a fully effective management tool in maintaining the type and quality of our foreign and domestic career work forces required to achieve the Agency's mission.

- Such a supplemental system should provide sets of common and special provisions applicable to meeting the different requirements of the Agency's varied career employee categories (i.e., CIARDS and non-CIARDS).

2. Equitable Treatment of All CIA Employees in Comparable Situations

- Equity must be established for the aggregate costs, retirement eligibilities and entitlements for pre-1984 and post-1983 employee.
- All Agency employees serving in locales or under conditions defined as qualifying for CIARDS participation should be provided the same "preferred" benefit accrual credit for the periods of such service.
- Agency employees who perform sufficient qualifying service for CIARDS participation should be provided basic retirement benefit coverage for all service somewhat higher than employees whose primary career assignments are non-operational in nature.
- Methodologies must be provided for integration, offsets and/or supplements as required between entitlements under Social Security and those of the retirement plan.

3. Defined Benefit Plan as Primary Basis for Basic Annuity

- Primary emphasis on a defined benefit plan which establishes a specified level of benefit when employee meets age and service criteria

is essential to permit managerial predictability of future retirements and permit planned employee development, flow through and retirement of employees when Agency requirements so dictate.

-- A Voluntary Capital Accumulation Plan would provide additional strength to the total system.

4. Key Primary Provisions Required of Supplemental Systems in the CIA

-- Retention of current system non-penalized early retirement eligibility criteria specific for CIARDS and CSRS personnel.

-- Involuntary/discontinued service retirement on an immediate annuity for CIARDS and CSRS members.

-- Mandatory retirement for CIARDS members.

-- Annuity accrual rates at levels sufficient to attract and retain the needed type and quality of work force and make retirement feasible at combinations of age and service when the needs of the Agency determines it necessary.

-- Establishing equitable cost and benefits between pre-1984 and post-1983 employees.

-- Reasonable cost-of-living adjustments for annuitants as a further inducement for retirement when CIA management prefers employee leave the service.

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-- Sufficient Government funding/financing levels to sustain the types of retirement systems necessary to maintain the characteristics of the work force essential to meeting mission requirements.

5. Administration of the Supplemental Retirement System

The concept of CIA as a single indivisible Agency with a single culture and ethic is consciously fostered in maintaining the necessary cohesiveness of effort in accomplishment of CIA's mission.

Agency CSRS employees have accepted a two-tiered retirement program which provides some (i.e., the CIARDS participants) the opportunity to retire five years earlier with slightly better benefits because they understand the grueling hardships and risks of extended service under "CIARDS qualifying" conditions.

The pending need to establish supplemental retirement systems to cover new CIA employees brings with it the potential that third and fourth (new Civil Service and CIARDS) tiers of retirement policies under different jurisdictions may be instituted, carrying with it an administrative and security nightmare.

The establishment of a single CIA supplemental retirement system administered under the authority of the Director of Central Intelligence would be consistent with the single agency concept now established by law, facilitate management of the systems and provide the required security protection for CIA personnel. Such a supplemental program should consist of

sets of ~~common~~^{special} and special provisions applicable to meet the different requirements of the different employee categories (i.e., CIARDS and non-CIARDS).

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WRITTEN STATEMENT

BACKGROUND

A Single Agency

The CIA is a single and indivisible Agency with a single culture and ethic.

The mission and special requirements of CIA, established by the Congress in the CIA Act of 1949, involve all Agency employees in a number of ways unique to the Federal Government. This legislatively mandated special status for CIA and its impact on all of our people are the basis for a personnel system here somewhat different from any other Federal agency ranging in all personnel management aspects from recruitment and appointment practices through to retirement.

In establishing CIA, Congress recognized the Agency's special personnel needs, the unique nature of the careers it would have to offer and the demands it would have to make of its employees. As a result, the CIA Act of 1949 and subsequent legislation established and helped refine a CIA personnel system independent of the Federal Civil Service system to allow among other things:

- the hiring of all CIA employees under the statutory authority of the Director and not from Civil Service status registers;

- the classification of Agency positions for pay purposes and setting of certain pay rates by Agency standards rather than by Civil Service standards;
- the payment of death gratuities, authority to give additional classes of incentive awards, and to establish minimum and maximum age requirements for Agency employment;
- the determination of job and employee qualification standards under the Director's authority;
- the termination of employees under the Director's authorities without further recourse by the employees.
- exemption from Civil Service Reform Act of 1978 which allowed creation of Federal employee unions, established certain prohibited personnel practices and created Senior Executive Service system.
- exemption from the Drug Abuse Office and Treatment Act of 1972, which forbade denial of employment to former drug users.
- exemption from Federal Advisory Committee Act of 1972.
- exemption from Federal Employees Part-Time Career Employment of 1978.

Among the most important special legislation for the Agency was PL 88-643 (in 1964) establishing the CIA Retirement and Disability Act for certain employees.

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Role Requirement of CIA's Retirement Systems in Serving the Needs of the Agency

In the CIA, retirement systems function as critical elements of the Agency's personnel management system in maintaining the type and quality of work force essential to accomplishment of its national foreign intelligence missions.

It is vitally important that the provisions of future retirement programs within the CIA continue to be fully compatible in serving the Agency's management needs as well. That is to encourage recruitment and permit retention of the young and vigorous career cadres required to do the work of the Agency through their most productive years and then be retired before their employment becomes detrimental to the best national security interests of our country.

Currently the CIA utilizes two retirement systems; the regular Civil Service Retirement System (CSRS) and the CIA Retirement and Disability System (CIARDS), a separate statutory system which was instituted in 1964. Individuals who qualify for participation and retirement under the latter system are those who serve in support of the operational side of the Agency. (Employees hired after 31 December 1983 are subject to the Social Security system.)

CSRS

From CIA's inception in 1947 to the current time, all new appointees to CIA, regardless of the nature or location of their assignment, are initially

covered by the Federal Civil Service Retirement System. This coverage provides the same death, disability, and longevity benefits as are provided Federal employees in domestic oriented Federal agencies such as the Departments of Agriculture and Labor. This basic coverage continues for CIA employees until they serve a minimum of five years of "qualifying service" for CIARDS. To obtain the needed qualifying service, the typical career operations officer must have a minimum of six to eight years of service with at least two overseas tours in high personal-risk and stressful environments under regular CSRS coverage before accruing sufficient qualifying service for the slightly preferential CIARDS coverage.

Approximately 25% of CIA's Civil Service covered employees are currently performing the type of service which will eventually qualify them for CIARDS participation. At the current time, approximately 64% of current overseas assignees are CSRS participants. The remaining 55% of the Agency's CSRS covered employees, can expect to retire under regular CSRS retirement. Even within this grouping, many will be called upon, when CIA requirements demand, to perform some periods of service deemed "qualifying" for CIARDS, but of insufficient duration to ever qualify for CIARDS membership.

CIARDS

In 1964, Public Law 88-643 was enacted establishing CIARDS for certain employees. The "certain employees" cited in the Act refers to Agency employees who serve in support of the operational aspects of the Agency's activities.

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Congress established this independent system on the basis of recognition of the unique security and working environment factors flowing from the CIA operational mission and the need to provide a special managerial mechanism to recruit and maintain a high-quality, young, and vigorous work force to conduct the operational activities of the Agency.

Congress also provided provisions for early retirement eligibility and a mandatory retirement age to permit separation of employees prior to burn out and before continued employment becomes detrimental to the best interests of the Agency.

The Act established the administration of CIARDS under the Director of Central Intelligence (DCI) in consonance with the DCI's statutory responsibility for protecting intelligence sources and methods.

Internal administration of CIARDS provides protection of the identities of CIARDS participants serving under varying types of both official and non-official cover; maintains employee accounts in the CIARDS fund securely within the Agency and, upon retirement, provides for the secure payment of benefits to CIARDS retirees, many of whom are prohibited from revealing any affiliation with CIA or even the U.S. Government.

Participation in CIARDS requires a minimum of five years of qualifying service. "Qualifying service" is service in support of Agency activities abroad hazardous to life or health or so specialized because of security requirements as to be clearly distinguishable from normal Government employment.

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Most of the general provisions of CIARDS are similar to those of the regular CSRS but provide special authority for early retirement with non-reduced annuities at levels slightly higher than the regular Federal CSRS; i.e., for participants at age 50 with at least 10 years of CIA service and 20 years of Government service and mandatory retirement at age 60 (with limited exceptions reserved to the Director's authority). It may be noted that annuity accrual levels for the special CSRS categories such as law enforcement officers and fire fighter personnel are 20% higher than those provided by CIARDS.

Impacts of the CIA Mission and Functions on Employee and Work Force Management Requisites that Relate to Provisions of CIA's Retirement Systems

The intelligence work world of the 1980's continues to carry with it the heavy and unrelenting personal and managerial stresses and pressures long associated with foreign intelligence functions. In addition, it presents a significant difference from earlier decades with the emergence and increasing impact of organized international terrorism under the sponsorship of governments hostile to the United States. Risk of injury and capture of CIA personnel and recent grim increases in the loss of life, make it painfully obvious that overseas service with the CIA is extremely dangerous and stressful to assignees and their families in "friendly" areas of the world and severely exacerbated in hostile environments.

Although increasingly more dangerous and stressful, an anomalous situation exists in which CIA employees serving overseas who suffer the same threats, risks and disadvantages are covered differently in their retirement

benefits depending on whether they have accumulated sufficient qualifying service for the preferred CIARDS coverage. Specifically, only about one-third of CIA employees currently serving overseas have qualified for CIARDS. The remaining two-thirds are covered under CSRS. Unlike members of the Foreign Service, all of whom are eligible for early retirement benefits from the moment they begin their careers, CIA employees must earn their way into CIARDS by serving five years overseas. Given our policy of rotating people in and out of the Washington area and sensitive domestic assignments, it takes time for employees to earn the five year credit. Obviously some never do, which explains why, in this overseas oriented organization, less than 20% of the staff is covered under CIARDS.

Factors Applicable to All CIA Personnel

All CIA employees, whether covered by CSRS or CIARDS, have access to highly classified and sensitive national security information. All, therefore, are subject to the same stringent security clearance standards. This includes polygraph examination as part of initial clearance processing and repolygraphing and reinvestigation at scheduled intervals throughout their careers. These procedures are not required for regular Government Civil Service applicants and employees.

CIA employees, whether under CSRS or CIARDS, assigned to certain activities and locations (both domestic and overseas) are required to live under cover for the duration of such assignments. Protection of such cover imposes unique social restrictions and additional security burdens on

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such individuals that are not required of Federal employees in "normal" Governmental employment.

All employees and former employees are required to submit all writings or outlines of oral presentations, including fiction, which deal with intelligence activities for prior review, modification and approval before publication.

All employees, including fully overt personnel, must receive security approval of descriptions of work performed while employed by CIA for use in subsequent job applications or interview. Security considerations may require deletions of substantial blocks of experience which would be attractive to future employers.

Factors Applicable to CIARDS-Type Employees

The majority of employees engaged in support of the operational work of the CIA generally have to be relatively young to middle age to blend into the level of cover "slots" that are available overseas.

Maintenance of personal and organizational cover calls for the exercise of stringent tradecraft to protect the cover with added dimensions in areas where hostile intelligence and internal security services or terrorists organizations operate.

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Many employees under cover must effectively perform two jobs--the cover job and the Agency job--usually with the stress and inconvenience of long and strenuous hours.

Prospects of assignments in hostile, disruptive or physically unhealthy areas abroad have negative impacts on personal and family affairs.

Prolonged service in operational environments increases the risk of identification of individuals to hostile intelligence, internal security, or terrorist organizations thus greatly increasing personal risk, blown cover, and diminution of the utility of such individuals for future assignment.

The nature and conditions of operations work in itself leads to relatively early employee "burnout" and diminishing effectiveness.

Operational and physical environments abroad demand sustained high motivation, courage, good health, adaptability, and vigor in these employees.

Work - Management Requisites - CIARDS

As a management mechanism, CIARDS has been woven intimately into the personnel management system of the operational cadre and its supporting elements.

It has contributed most effectively in fulfilling such essential managerial needs as:

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- Providing the Agency with a secure mechanism for the administration of retirement affairs for members of the CIARDS.

 - Enabling the Agency to recruit and retain the type and quality of work force essential to fulfilling critical work requirements and the capability for timely retirement of those individuals who have passed their peak performance.

 - Allowing mandatory retirement at age 60 and voluntary early retirement (50 with 20 years) without penalty reduction of benefits as essential contributors to meeting managerial objectives of keeping the operational cadre fully effective;

 - Permitting the flow-through of new employees, providing opportunities for employee developmental assignments, timely promotions, and in meeting reduced personnel ceilings when required.

If the mandatory and voluntary retirement eligibility ages were to be extended and current annuity levels reduced for CIARDS, severe problems would be created in terms of an unacceptable aging of the overall operational cadre, diminution of vigor and adaptability among its ranks and increased difficulty in arranging cover. Effective management of the cadre would be severely weakened in terms of attracting recruits in the first place; the creation of severe blockages in essential flow-through assignment opportunities within the ranks; promotion; and timely retirement.

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Working Environment Factors and Work Force Management Requisites Applicable
to CSRS-Type Employees

Employees under CSRS who are assigned in support of the Agency's operational activities abroad perform these services under the same extremely stressful and hazardous conditions as those individuals who have already qualified for CIARDS. Typically, these employees serve approximately six to eight or more years before accruing sufficient qualifying service for the special provisions of CIARDS. During this period, they and their dependents (as appropriate) are covered under the regular CSRS disability and death benefit provisions.

Employees, such as certain Intelligence Analysts and Administration Specialists, who spend their Agency careers solely in overt domestic assignments are not exposed to the special employment conditions encountered by CIARDS and pre-CIARDS personnel. However, these careerists are subject to the unique conditions common to all Agency employees cited previously in this report that are clearly atypical of "normal" domestic Federal employment.

In addition, the nature of current intelligence work with the vital national interest of its product, brings with it a continuing plethora and relentless volume of critical priorities, short deadlines, and serious national security consequence of error.

These factors create continuous stress, attrition of effectiveness, and patterns of burnout at ages somewhat older than those in the operational milieu; but, nonetheless at relatively young ages.

Work Force Management Requisites - CSRS

CSRS Employees in Non-Operational Activities

Just as the special management requirements of the Agency's clandestine service have been effectively accommodated through the CIARDS mechanism, the provisions of CSRS, particularly the early optional retirement feature with non-reduced annuities at 55 with 30 years of service, have proven to be most effective tools for Agency managers in accommodating the different but equally important requirements served by CIA's analytical, scientific, and support cadres by providing:

- Recruitment inducement in the face of intense competition with the private sector (where higher salaries are frequently available) of the best expertise in a broad spectrum of professional disciplines and fields of specialization.
- Predictability of the projected patterns of the timing and numbers of future retirements that enable Agency managers to establish employee career development, progression, and replacement on a definitive basis.
- Retention of substantive analysts, scientific and technical experts, and administrative specialists through their most productive years with sustained currency in their areas of expertise and state of the art.

- Capability of managers of these non-operational cadres to encourage voluntary retirement at appropriate combinations of age and service compatible with organizational needs.

CSRS Employees Supporting Operational Activities

As previously cited in the "working environment factors" in the previous section of this report, serious problems currently exist as regards those Agency CSRS-covered employees who are serving in support of operational activities.

The managerial problems are of two dimensions. The first is the obvious inequity of CSRS and CIARDS-covered employees serving in the same locales under the same stresses and hazards but with different benefit protections.

The second is the need to establish fully secure mechanisms for protecting identities of sensitive CSRS personnel during their employment and post-employment years and to assure secure processing of casualty benefits which now must be processed through non-CIA controlled channels.

Primary Features Required by CIA in a Supplemental Retirement System

Applicable to CIA Personnel

- CIA requires a supplemental retirement system with provisions that will permit use of the system, as with the current retirement system, as a fully effective management tool in maintaining the type and quality of

our foreign and domestic career work forces required to achieve the Agency's mission.

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